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FISCAL IMPACT STATEMENT

LS 7377 | **NOTE PREPARED:** Jan 21, 2013
BILL NUMBER: HB 1314 | **BILL AMENDED:**

SUBJECT: Proprietary Education.

FIRST AUTHOR: Rep. Clere | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill provides that the executive officer of the Commission for Higher Education (Commission) may develop procedures for authorizing out-of-state public and not-for-profit degree granting institutions to offer instructional or educational services or training in Indiana.

The bill adds definition of "degree granting".

The bill requires an out-of-state public or not-for-profit degree granting institution seeking to offer instructional or educational services or training in Indiana to receive authorization from the executive officer of the Commission to provide instructional or educational services in Indiana.

The bill provides that a person may not do business as a degree-granting institution in Indiana unless: (1) the institution is accredited by an accrediting agency recognized by the United States Department of Education or is seeking and progressing toward accreditation by an accrediting agency recognized by the United States Department of Education; or (2) the institution exclusively offers educational instruction of a clearly religious nature.

The bill also transfers rulemaking authority regarding the regulation of postsecondary proprietary institutions from the State Workforce Innovation Council to the Department of Workforce Development.

The bill changes references to "accreditation" to "authorization" in provisions relating to administration of postsecondary credit bearing proprietary institutions. It repeals definition of "accreditation". The bill also adds definition of "authorization". It makes changes to the definition of "postsecondary credit bearing proprietary educational institution".

The bill repeals requirements for the issuance of agent permits. It repeals definition of "agent's permit".

The bill provides that a person who knowingly and intentionally makes certain misrepresentations regarding a postsecondary credit bearing proprietary educational institution is subject to action by the Attorney General's Office for making a deceptive consumer sale.

The bill reduces from $1,000,000 to $500,000 the amount of money that must accumulate in the Student Assurance Fund.

It makes technical amendments.

Effective Date: Upon passage.

Explanation of State Expenditures: The Board for Proprietary Education (Board) and the Workforce Innovation Council (Council) should be able to implement the changes within their current budget appropriations. The bill would require a degree-granting proprietary educational institution to be accredited by an accrediting agency recognized by the United States Department of Education unless they are an institution that exclusively offers instruction of a clearly religious nature. These institutions would now apply to the Board or Council to be authorized (instead of accredited) to operate in Indiana. These provisions could simplify the administration process for these entities.

The bill also that makes it a violation for a person who knowingly and intentionally makes certain misrepresentations regarding a postsecondary credit bearing proprietary educational institution. This violation is subject to action by the Attorney General's Office (AG) for making a deceptive consumer sale and should have minor fiscal impact on the AG.

The elimination of an agent's permit could reduce some administrative costs since the permit would no longer be issued. The impact is probably minor.

Explanation of State Revenues: The elimination of agent's permit could reduce revenue to the Student Assurance Fund by between $25,000 and $30,000 annually.

The bill also reduces the balance that has to be accumulated in the Student Assurance Fund from $1 M to $500,000 before institutions are no longer required to make quarterly payments. The fund is used to provide indemnification to students of a postsecondary proprietary educational institution who suffer a loss or damage as a result of institution failing to provide the education programs promised to the student. The current balance in the fund is more than $500,000 ($742,678 as of January 15, 2013) so the bill would discontinue required contributions into the fund until the fun's balance is less than $250,000 at which time the required contributions would be reinstated. Under current law required contributions are discontinued when the balance is more than $1 M and are reinstated when the balance falls below $500,000. The balance should be sufficient to cover claims to the fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Board for Proprietary Education, Department of Workforce

Local Agencies Affected: Commission for Higher Education.

Information Sources:

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